

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110601
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030
FAX: (907) 465-3068

March 28, 2003

Ms. Angela Corbin
Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
Mail Stop S2-01-16
7500 Security Boulevard
Baltimore, Maryland 21244-1850

Dear Angela:

The State of Alaska, Department of Health and Social Services (DHSS), Division of Medical Assistance (DMA), has the responsibility of administering the State Children's Health Insurance Program (SCHIP), Denali KidCare, a Medicaid expansion program covering eligible children up to 200% of the FPL Guidelines. We are requesting approval from the Centers for Medicare and Medicaid Services (CMS) of an 1115 Demonstration Waiver outlined below.

In Alaska, state legislation was required to obtain authority to expand Medicaid coverage and expend funding available under Title XXI [Alaska Statutes, Title 47, Chapter 7, Section 47.07.020(b)(13)]. The effective date of the enactment was July 2, 1998 with a Denali KidCare program inception date of March 1, 1999. Furthermore, state regulations were also required in order to implement changes to the Medicaid Program necessary to implement the child health expansion including regulations addressing the crowd-out issue [7 AAC 43.020(a)(14)(A)(B)]. Public comment was taken on these regulations on December 11, 1998 with corresponding adoption of the regulations on December 28, 1998 with an effective date of February 12, 1999. These regulations authorized the establishment of the Denali KidCare program. Regulation as defined in *The Alaska Administrative Code* means every rule, regulation, order, or standard of general application or the amendment, supplement, or revision of a rule, regulation, order, or standard adopted by a state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure, except one that relates only to the internal management of a state agency.

The one-year waiting period for Alaska's SCHIP was approved in late 1998 as a component of the Title XXI State Plan submitted to the Health Care Financing

Administration to address the crowd-out issue. Not only was there concern from Alaska state legislators, policy makers and other interested parties about crowd-out, but also a great concern at the national level regarding this issue, the reason for Alaska addressing the issue in state regulation, in *The Alaska Administrative Code*. The Division has tracked reasons for denial of Denali KidCare coverage since program inception, and has found that over time approximately 16% of total denials for Denali KidCare coverage are due to children having other health insurance coverage and the corresponding family income being above 150% of the Federal Poverty Level (FPL) Guidelines.

Changes in Alaska Medicaid Policy, including a change to the one-year waiting period under Denali KidCare, are subject to the State of Alaska public regulations process. This involves a written public notice published in newspapers of general circulation and the Alaska Administrative Journal, mailed to interested parties on the departmental mailing list and provided to state legislators. Public comments are then taken on the regulations with statewide access through teleconferencing. If Alaska had not opted to submit an 1115 demonstration waiver, then we would have been required to proceed with the State of Alaska public regulations process outlined above to make the required CMS changes to the waiting period. Because the waiting period is an important axis of the Alaska Title XXI State Plan approved by CMS in 1998 and supports program integrity, it is our contention that the demonstration will support our hypothesis thus allowing the State to continue its State Plan as outlined in Alaska Statute and Alaska Administrative Code as approved by CMS in the fall, 1998.

Since no changes to Medicaid policy are being proposed under this waiver, rather we are proposing an evaluation to support our hypothesis that we believe will mimic current waiting period policy, and considering the fact that both legislation and regulation were required to implement Alaska's Title XXI expansion, a public notice procedure is not warranted in accordance with Federal Register/Volume 59, Number 186, Tuesday, September 27, 1994, Notices, VII, State Notice Procedure.

Hypothesis: *The Alaskan crowd-out provision prevents those who already have private health insurance from being eligible for public health insurance coverage under Denali KidCare, and discourages those who currently have private health insurance from substituting public for private insurance. This crowd-out provision affects families with incomes between 151% - 200% of the FPL Guidelines.*

Research Design:

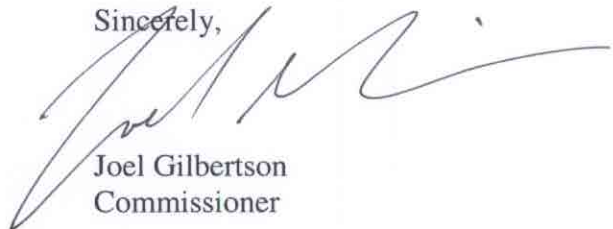
To provide documentary evidence for this 1115 demonstration proposal, the Division of Medical Assistance agrees to submit to the Centers for Medicare and Medicaid Services semi-annually a statistical and graphical report showing by month the number and percentage of applicants denied as a result of being over 150% of the Federal Poverty Level and having private health insurance coverage. To further clarify, the one-year waiting period only applies to families who have dropped private health insurance within the past year without good cause and whose incomes exceed 150% of the FPL Guidelines, not to families with incomes of 150% or less of the FPL Guidelines and have

dropped private health insurance within the past year. If financial hardship is expressed by families who have dropped private health insurance and whose incomes exceed 150% of FPL, then DMA will review the case and presentation of facts and determine eligibility on a case-by-case basis. Thus, the policy provides consideration for those who are in need. Additionally, the Division will begin tracking applicants denied by recipient identification number in the Eligibility Information System (EIS) in January 2003 and will survey the system for those numbers beginning January 2004 over a three-month interval beginning with January – March 2004 in the Medicaid Management Information System (MMIS). The first quarterly report will be sent to the Centers for Medicare and Medicaid Services no later than May 1, 2004, and will include a three-month review/search for January 2003 recipient identification numbers matching the same recipient identification numbers that may appear if the applicant re-applies during a three-month period, January - March 2004 after the one-year waiting period. Similarly, the second quarterly report due to CMS by August 2004 for the period April – June, 2004, will include a three-month review/search for February, March and April 2003 recipient identification numbers matching the same recipient identification numbers that may appear if the applicant re-applies during a three-month period, February, March and April 2004. These reports will continue quarterly for the duration of the demonstration, and will allow us to analyze and evaluate whether applicants who had health insurance coverage one year earlier and were denied coverage because they had existing health insurance coverage and were between 150% and 200% of the FPL at the time of application are dropping their private health insurance coverage and are waiting to re-apply after 13, 14 or 15 months to substitute public coverage for their former private health insurance coverage.

The demonstration period will begin from the 1115 Demonstration Waiver approval date and continue for a five-year period. Enclosed is a five-year projected budget referenced with a note that indicates there will be no new costs associated with this 1115 demonstration waiver since the one-year waiting period has been part of our Title XXI program since inception.

It is our belief that we will be able to prove our hypothesis if the 1115 demonstration waiver is approved. We look forward to your response. Please contact Barbara Hale should you have questions, 907-465-5833.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joel Gilbertson', is written over the typed name and title.

Joel Gilbertson
Commissioner

Enclosure

CMS SCHIP Budget Plan - Alaska 1115 Demonstration Waiver, One Year Waiting Period - Denali KidCare

	FFY Projected First Year Costs 2003	FFY Projected Second Year Costs 2004	FFY Projected Third Year Costs 2005	FFY Projected Fourth Year Costs 2006	FFY Projected Fifth Year Costs 2007
Enhanced FMAP rate	70.79%	70.87%	70.87%	70.87%	70.87%
Benefit Costs					
Insurance payments					
Managed care					
per member/per month rate @ # of eligibles					
Fee for Service	\$ 33,600,000	\$ 39,800,000	\$ 43,178,290	\$ 46,848,444	\$ 50,830,562
Total Benefit Costs	\$ 33,600,000	\$ 39,800,000	\$ 43,178,290	\$ 46,848,444	\$ 50,830,562
(Offsetting beneficiary cost sharing payments)					
Net Benefit Costs	\$ 33,600,000	\$ 39,800,000	\$ 43,178,290	\$ 46,848,444	\$ 50,830,562
Administration Costs					
Personnel	\$ 16,745	\$ 19,834	\$ 21,352	\$ 23,167	\$ 25,136
General administration	\$ 27,494	\$ 32,567	\$ 38,433	\$ 41,700	\$ 45,245
Contractors/Brokers (e.g., enrollment contractors)	\$ 1,440,775	\$ 1,606,633	\$ 1,836,264	\$ 1,992,346	\$ 2,161,695
Claims Processing					
Outreach/marketing costs	\$ 1,560,839	\$ 1,703,733	\$ 1,921,671	\$ 2,085,013	\$ 2,262,239
Other	\$ 334,841	\$ 396,627	\$ 469,742	\$ 509,670	\$ 552,992
Total Administration Costs	\$ 3,380,694	\$ 3,759,394	\$ 4,287,462	\$ 4,651,896	\$ 5,047,307
10% Administrative Cost Ceiling	\$ 3,360,000	\$ 3,980,000	\$ 4,317,829	\$ 4,684,844	\$ 5,083,056
Federal Share (multiplied by enh-FMAP rate)	\$ 26,178,633	\$ 30,870,543	\$ 33,638,978	\$ 36,498,291	\$ 39,600,646
State Share	\$ 10,802,061	\$ 12,688,851	\$ 13,826,774	\$ 15,002,049	\$ 16,277,223
TOTAL PROGRAM COSTS	\$ 36,980,694	\$ 43,559,394	\$ 47,465,752	\$ 51,500,340	\$ 55,877,869

Notes: (1) The Federal Fiscal Year (FFY) runs from October 1st through September 30th.
(2) No new costs will be associated with this 1115 demonstration waiver.

Assumptions: (1) Approximate 8.5% annual increase in Total Program Costs after 2004
(2) Proportionate increase in Benefit Costs and Administration Costs